

S E C R E T SECTION 01 OF 02 VIENNA 000232

SIPDIS

STATE FOR ISN/MTR, ISN/CWTR, EUR/PRA AND EUR/AGS

E.O. 12958: DECL: 01/25/2016

TAGS: [PARM](#) [PREL](#) [MNUC](#) [ETTC](#) [AU](#) [MTCRE](#)

SUBJECT: IRAN NON-PROLIFERATION ACT (INPA) SANCTIONS ON STEYR-MANNLICHER -- COMPANY PRESIDENT WANTS TO "EARN" REVERSAL OF SANCTIONS

REF: A. PHILLIPS-MITCHELL E-MAILS 1/5/06

- [¶B.](#) STATE 2371
- [¶C.](#) 05 VIENNA 3973
- [¶D.](#) 05 VIENNA 3912
- [¶E.](#) 05 STATE 226158
- [¶F.](#) 05 VIENNA 406
- [¶G.](#) 05 VIENNA 331

Classified By: Charge d'Affaires Scott F. Kilner. Reasons: 1.4 (b), (d) and (h).

[¶1.](#) (S) Summary: Wolfgang Fuerlinger, president of the Austrian arms firm Steyr-Mannlicher, has contacted the Embassy to seek a lifting of INPA sanctions. Fuerlinger said he would do whatever was necessary, including "signing a contract" pledging that he would do no more business with Iran. Fuerlinger wants to compete for the U.S. Army assault rifle contract. End Summary.

[¶2.](#) (SBU) Steyr-Mannlicher president Wolfgang Fuerlinger called EconPol Counselor to ask what he can do to achieve a lifting of INPA sanctions. Fuerlinger (disingenuously) claimed to have been "completely unaware" of the prospect of U.S. sanctions. He also said the shipment of 12.7 mm. (.50 cal.) high-power sniper rifles to Iran was "a one-time deal," and further asserted that he had made no new shipments and done no new business with Iran after the November 2004 shipment of some 800 of the rifles. He claimed that his company had made the strategic decision to stop sales to Iran because of the furor the first sale caused, and because the political changes which occurred in Iran made it inadvisable to do further business with the country. Fuerlinger said he would even consider "signing a contract" foregoing all further business with Iran.

[¶3.](#) (SBU) On January 20, Fuerlinger said a U.S. supplier had told him that the Commerce Department advised it not to do business with Steyr-Mannlicher. Fuerlinger claimed that the supplier provided "a common steel part" which was not on any control list, and he said the deal was a commercial one.

[¶4.](#) (SBU) Fuerlinger said his main concern was his ability to compete for the U.S. Army assault rifle contract. He said he would like to have "a clear picture" of whether he should proceed with a major investment in the U.S. with a view toward securing the contract. Fuerlinger said he would be in Washington in the next few weeks, and was eager to meet with relevant U.S. officials to discuss what he could do to obtain a lifting of sanctions.

[¶5.](#) (SBU) Note: Steyr-Mannlicher has recently done business with the U.S. government. In Fall 2005, the Department of the Army applied to procure 2,080 Steyr-Mannlicher pistols (1,796 MA-1 and 284 MA-9, both 9 mm.) worth 396,000 dollars for the Iraqi security forces. At the end of 2005, U.S. Special Operations Command (USSOCOM) sought to purchase seven 12.7 mm. sniper rifles before it learned that USG sanctions prevented the acquisition. Fuerlinger told us in February 2005 that he believes his product, the AUG-3, is the best fit on the market for the U.S. Army's requirements. End note.

[¶6.](#) (S) Comment: Fuerlinger's latest statements about the nature of his Iran business are a far cry from what he told us in February 2005. At that time, he said he was "well aware" of the provisions of the INPA, but that he would choose his more lucrative business in Iran over his U.S. operations -- unless we could deliver the assault rifle contract to him as compensation (ref g.) (When we reminded him of those earlier statements, he simply denied ever having made them.) Fuerlinger, in fact, did his best to send more shipments to Iran, filing for multiple Austrian export permits. He stopped not because of an internal business decision, but because the U.S. and Austrian governments cooperated to block him. Fuerlinger was ready to take legal action against the Austrian government as late as June 2005 to force approval of pending export permits. Now, however, a series of circumstances has brought his Iran business crashing down. Contract squabbles with his Malaysian subsidiary, Austrian government holding actions to prevent shipments to Iran, and the unreliability of his Iranian interlocutors have interrupted his dreams of serving as the primary supplier to the Iranian army.

17. (S) Comment continued: Embassy notes that Fuerlinger's current posture is remarkably similar to that described in ref (b), which concerns an entirely unrelated case in India: Fuerlinger says he followed Austrian law and procedure in making the sales, and hid nothing from the Austrian government. He has now offered to make written assurances that he will do no further business with Iran, and seems intent to do everything he can to compete for U.S. government business. End comment.

18. (SBU) Embassy requests Washington guidance on how to respond to Fuerlinger's offers.

KILNER